



For Immediate Release
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Increased Insurance Competition Has Not Led to Lower Insurance Rates for MI Consumers

Senate Democrats introduce legislation to lower insurance rates for auto and home owners

LANSING – Senator Gilda Z. Jacobs (D-Huntington Woods) and Senator Martha G. Scott (D-Highland Park) today announced the findings of a task force report on insurance reforms in Michigan.

The report details findings and public testimony taken during recent hearings held in Detroit, Muskegon, and Saginaw. Other members of the Senate Democratic Caucus Task Force on Consumer Protection include Sen. Burton Leland (D-Detroit), Sen. Dennis Olshove (D-Warren), and Sen. Samuel “Buzz” Thomas (D-Detroit).

“Past insurance reform movements in our state were built around the idea that increased competition would encourage affordable insurance rates across the state,” Sen. Jacobs said. “But today, we have more competition than before and rates are higher than ever. People need greater transparency in how their insurance rates are determined and they need greater access to information regarding their insurance options. The state mandates that consumers must have insurance, therefore it is our responsibility to ensure that everyone has access to reasonable rates.”

The task force found that increasing insurance costs are threatening the economic security of Michigan citizens. Premium costs are absorbing too large a portion of consumers’ income as rates are going up and wages remain stagnant. In some cases, individuals and families are being forced to move out of urban centers that typically experience the highest insurance rates.

For example, insurance rate increases in Michigan have outpaced inflation by more than a 2-to-1 ratio. In Detroit, insurance rates have outpaced inflation by more than 4-to-1 during the past eight years.

Sen. Scott said, “All across the state, people are struggling to pay for modest insurance on their homes and automobiles. Insurance rate increases have undeniably reached a crisis level in Detroit. I’ve had people telling me constantly that they are planning on moving out of the city because their insurance rates have jumped by thousands of dollars during the last few years. How can we expect to convince others to move into our cities, if we are forcing out the people who already live there?”

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During the hearings, the senators invited attendees to participate in a real time survey concerning insurance rates. Overall, attendees were most concerned with redlining (39 percent) and access to affordable insurance (35 percent). Other findings include:

- Nearly 8 out of 10 (78 percent) people felt that they did not have enough information about their insurance options.
- Almost two-thirds (63 percent) of respondents stated that they have had to go without home or auto insurance coverage because they could not afford it.
- More than half (56 percent) were not satisfied or very unsatisfied with their insurance carrier or carriers.
- Sixty percent of respondents said they received most of their insurance information from insurance agents, while 31 percent get most of their information from friends and coworkers.

In an effort to address the concerns identified throughout the task force hearings, the task force recommends the following:

- Provide better protection for policyholders by implementing a rate review system that requires insurance companies to file actual rates on an annual basis with the Office of Financial and Insurance Services and require approval of those rates by the Insurance Commissioner before they take effect.
- Require insurance companies to provide policyholders with a minimum 60 day written notice of any automobile and homeowners insurance rate increases in order to provide policyholders with an opportunity to seek a lower rate.
- Prohibit insurance companies from using an individual's credit history or credit score for determining automobile and homeowners insurance rates.
- Establish a flexible rating program under the Insurance Code designed to help stabilize insurance rates where rates are determined through the application of flexibility bands to a benchmark rate.
- Increase inadequate civil and criminal penalties for violations under the Insurance Code including violations of unfair trade practices under Chapter 20.
- Establish rate standards under the Insurance Code that prohibit automobile and homeowners insurance rates from being excessive and unfairly discriminatory.
- Prohibit insurance companies from refusing to insure, limiting coverage, or charging different rates based on a particular geographic location.

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